

State of Alaska FY2008 Governor's Operating Budget

**Dept of Commerce,Community,& Economic Development
Office of Economic Development
Component Budget Summary**

Component: Office of Economic Development

Contribution to Department's Mission

Improve economic development and increase investment in Alaska by advancing successful tourism and film, fisheries, forest products and minerals programs.

Core Services

- Provide policy recommendations and staff support to Governor and Commissioner on tourism and film, fisheries, forest products, and minerals and business development issues.
- Provide a link between Alaska communities (especially rural communities), government, businesses, and industry sectors.
- Compile industry data and provide analysis.
- Support development of potential high growth industries and products.
- Review business environment and recommend and promote changes.
- Provide technical assistance to potential entrepreneurs.
- Support export-led and cluster-based development.
- Analyze the economic effect of proposed regulations on small businesses
- Manage the Alaska Regional Development Organizations program (ARDORs), the Made in Alaska program, the Alaska Manufacturing Extension Partnership (AMEP) and the Alaska Marketplace Program (AMP).

End Results	Strategies to Achieve Results
<p>A: Rural Alaska communities in economically distressed areas will have more opportunities to diversify their economies through tourism development.</p> <p><u>Target #1:</u> Increased economic benefits from visitors each year.</p> <p><u>Measure #1:</u> Increased lodging taxes in rural Alaska communities (excluding Anchorage, Fairbanks and Juneau)</p> <p><u>Target #2:</u> One or more projects developed in each rural Alaska community cluster by FY2008</p> <p><u>Measure #2:</u> Number of new projects developed by Rural Visitor Industry Product Development Program</p>	<p>A1: Implement Rural Visitor Industry Product Development Program.</p> <p><u>Target #1:</u> Provide technical assistance to 4-6 rural community clusters in round one of the Rural Visitor Industry Product Development Program..</p> <p><u>Measure #1:</u> Number of community clusters receiving technical assistance.</p> <p>A2: Improve customer service skills and employability of Alaska's workforce.</p> <p><u>Target #1:</u> Increase number of students who complete AlaskaHost customer service training by 10% each year.</p> <p><u>Measure #1:</u> Number of students who complete AlaskaHost training each year.</p> <p>A3: Provide a visitor and welcome center on the Alaska Highway and enhance the economic benefits from visitors in Tok, through the Tok Alaska Public</p>

	<p>Lands Information Center (TAPLIC).</p> <p><u>Target #1:</u> Increase the number of highway travelers served at the Tok Alaska Public Lands Information Center.</p> <p><u>Measure #1:</u> Number of highway visitors served.</p> <p>A4: Conduct research at consistent intervals to determine economic impact of the visitor industry at state and regional levels.</p> <p><u>Target #1:</u> Increased economic contribution of all travel and tourism expenditures in Alaska.</p> <p><u>Measure #1:</u> Total economic contribution of travel and tourism to the state.</p> <p><u>Target #2:</u> Increased employment resulting from travel and tourism expenditures in Alaska.</p> <p><u>Measure #2:</u> Total employment resulting from travel and tourism expenditures in the state.</p>
End Results	Strategies to Achieve Results
<p>B: Increase the value of the minerals industry in Alaska</p> <p><u>Target #1:</u> 10% annual increase in statewide mineral exploration spending.</p> <p><u>Measure #1:</u> Percentage increase in mineral exploration.</p> <p><u>Target #2:</u> 10% annual increase in statewide mineral development expenditures.</p> <p><u>Measure #2:</u> Percentage increase in minerals development expenditures.</p> <p><u>Target #3:</u> 10% annual increase in statewide mineral production value.</p> <p><u>Measure #3:</u> Percentage increase in minerals production value.</p> <p><u>Target #4:</u> 10% annual increase in total value of the Alaska minerals industry.</p> <p><u>Measure #4:</u> Percentage increase in total annual statewide minerals value.</p>	<p>B1: Be a strong advocate for mineral resource development.</p> <p><u>Target #1:</u> Maintain and improve trade show participation. Improve information products for the public.</p> <p><u>Measure #1:</u> Number of trade show participated in FY2005 was maintained at 6.</p> <p><u>Target #2:</u> Improve the image of the minerals industry within the public sector in Alaska.</p> <p><u>Measure #2:</u> Provide informational presentations to organized groups and informational services in the major population centers of the state.</p> <p><u>Target #3:</u> Establish a Grant program to foster mineral development in the state</p> <p><u>Measure #3:</u> Establish a \$500,000 program to provide an advertising and educational program for the public in Alaska.</p>
End Results	Strategies to Achieve Results
<p>C: Redevelop a statewide forest products industry.</p> <p><u>Target #1:</u> Increase forest products industry employment in the Southeast region by 10%.</p> <p><u>Measure #1:</u> 10% employment increase</p>	<p>C1: Provide technical assistance and advocacy services through Commerce.</p> <p><u>Target #1:</u> Fill forester position(s) in the Department of Commerce.</p> <p><u>Measure #1:</u> Number of forest product positions in the Department of Commerce.</p>
End Results	Strategies to Achieve Results
<p>D: Through the Fisheries Revitalization Strategy, increase the economic return to the Alaska salmon industry.</p>	<p>D1: The Office will develop a grant program that increases product diversification.</p>

<p><u>Target #1:</u> By 2006, increase the ex-vessel value of the salmon industry by 10% over the 2003 prices.</p> <p><u>Measure #1:</u> Measure in ex-vessel value on a price/pound basis.</p> <p><u>Target #2:</u> By 2006, increase the wholesale value of the salmon industry by 10% over the 2003 prices.</p> <p><u>Measure #2:</u> Measure in wholesale value on a price/pound basis.</p>	<p><u>Target #1:</u> By 2006, the fisheries equipment grant program will support an overall industry trend towards increased fillet production in Alaska to increase total fillet production by 10% by weight.</p> <p><u>Measure #1:</u> Percentage increases in Alaska salmon fillet production by value and volume.</p> <p>D2: The Office will develop a grant program that increases product diversification among its grantees.</p> <p><u>Target #1:</u> By 2006, grantees that received fillet processing equipment will increase fillet production by 50% from 2003 levels.</p> <p><u>Measure #1:</u> Percentage increase in fillet production for grantees receiving funds for fillet equipment.</p>
End Results	Strategies to Achieve Results
<p>E: Increased economic benefits from sale of Alaskan manufactured and/or made products.</p> <p><u>Target #1:</u> Increased number of jobs resulting from sale of Alaskan manufactured and/or made products.</p> <p><u>Measure #1:</u> The number of manufacturing jobs created in Alaska.</p>	<p>E1: Increased numbers of certified "Made in Alaska" products that are manufactured and/or made in Alaska.</p> <p><u>Target #1:</u> Numbers of certified products per year that are manufactured and/or made in Alaska increase by 3%.</p> <p><u>Measure #1:</u> Numbers of certified products.</p>
End Results	Strategies to Achieve Results
<p>F: Alaska Regional Development Organizations (ARDOR) programs create new jobs or save jobs in Alaska.</p> <p><u>Target #1:</u> Increase number of jobs created or saved through ARDOR programs.</p> <p><u>Measure #1:</u> Number of jobs created or saved through ARDOR programs.</p>	<p>F1: Implement performance based criteria to distribute state funding among ARDORS.</p> <p><u>Target #1:</u> Increase number of ARDORS that meet criteria to receive I funding from 2006 to 2008.</p> <p><u>Measure #1:</u> Number of ARDORS that receive funding.</p>
End Results	Strategies to Achieve Results
<p>G: Film production spending creates economic benefit for Alaska communities.</p> <p><u>Target #1:</u> Increase annual production spending by inbound productions by 50% by FY'08.</p> <p><u>Measure #1:</u> Inbound production dollars spent in Alaska.</p>	

Major Activities to Advance Strategies

<ul style="list-style-type: none"> Re-institute CEPRA Concept Investigate and put into action a resource education initiative for mining, timber, tourism seafood and fisheries industries Prepare the International Export Annual Report Provide support to major Alaska events that promote economic development by enhancing Alaska's attractiveness as a major destination. Expand Alaska's participation in film industry to 	<ul style="list-style-type: none"> Develop and implement a minerals industry intrastate promotion and education program Advocate increased development of Alaska's timber resources to support new harvesting and manufacturing jobs in the forest products industry. Manage the Fisheries Revitalization Strategy Provide vital analytical support related to Internal Water Permits, fisheries-related legislation, market trends and federal government efforts
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Major Activities to Advance Strategies

<ul style="list-style-type: none"> generate revenue to the State and expand job opportunities for Alaskans Provide technical and planning assistance related to tourism opportunities in rural communities Promote and manage AlaskaHost hospitality training program Implement Developing Alaska Rural Tourism Program and state tourism marketing contract Manage Tok Alaska Public Lands Information Center Maintain Tourism Satellite Account and Alaska Visitor Statistics Program Advocate statewide mineral resource development Prepare Alaska Minerals Commission Report and contribute to Alaska's Mineral Industry Report 	<ul style="list-style-type: none"> Review market conditions and recommend new product forms for the seafood industry Manage the Alaska Regional Development Organizations program (ARDORs), the Made in Alaska program, the Alaska Manufacturing Extension Partnership Manage the Alaska Marketplace Program assuring performance and accountability of the programs Develop Small Business Assistance Center Review feasibility and benefit to creating a small business loan program. Evaluate direct loan program or guarantee concept; Assist in reducing bankruptcy rate and premature terminations of small businesses Prepare the Alaska Economic Performance Report with Division of Community Advocacy
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FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$2,980,900

Personnel:

Full time	17
Part time	3
Total	20

Performance Measure Detail

A: Result - Rural Alaska communities in economically distressed areas will have more opportunities to diversify their economies through tourism development.

Target #1: Increased economic benefits from visitors each year.

Measure #1: Increased lodging taxes in rural Alaska communities (excluding Anchorage, Fairbanks and Juneau)

Alaska Lodging Taxes (millions \$)

Year	YTD Total
2000	3.97
2001	4.37 +10.08%
2002	4.05 -7.32%
2003	4.14 +2.22%
2004	4.54 +9.66%
2005	5.40 +18.94%

Not including Anchorage, Fairbanks and Juneau.

Analysis of results and challenges: Statewide municipal lodging taxes revenues increased nearly 15% between 2004 and 2005 (following a 3% decrease between 2003 and 2004). When Anchorage, Fairbanks, Fairbanks North Star Borough and Juneau are excluded, municipal lodging taxes increased nearly 19% from \$4,539,520 in 2004 to \$5,405,064 in 2005.

The 2002 Tourism Satellite Account (economic impact study) did not provide regional data. OED has recommended that commission update of the economic impact study as soon visitor data collection is complete. The project will include providing regional data in the scope of work.

Regional economic impact data was last estimated by the McDowell Group in 1999. Based on 1998 data, regional visitor industry employment (direct) was estimated to be as follows: Southeast (4,407 jobs), Southcentral (10,786), Southwest (864), Interior North (4,254), State total (20,311). Payroll and proprietor's income for the same time period: Southeast (\$86.1 million), Southcentral (\$213.2 million), Southwest (\$16.9 million), Interior North (\$74.2 million), State total (\$390.4 million).

Currently local data is not available that can be linked directly to visitor activity except for lodging taxes. The ability to measure jobs, income and tax revenues to regions and municipalities would help the state determine whether communities were increasing their benefits from visitor activity.

Target #2: One or more projects developed in each rural Alaska community cluster by FY2008

Measure #2: Number of new projects developed by Rural Visitor Industry Product Development Program

New Tourism Projects in Rural Alaska

Fiscal Year	Quarter 2	Quarter 3	Quarter 4	YTD Total
FY 2005	0	0	0	0
FY 2006	7 0%	0 0%	0 0%	7 0%

Call for projects for the Rural Alaska Product Development Program began in November 2004. Projects were selected in December 2004. The first stakeholder meeting was held in Nome in December 2004. Preliminary site visits took place in Bethel/YK Villages and Nome in August 2004.

Analysis of results and challenges: Products/projects developed or in development as of September 30, 2006:

Nome/Gambell/Savoonga: AlaskaHost training and web site development classes held. Stakeholder meeting held in Nome. Consultations on working with small cruise ship companies held in Nome, Gambell, Savoonga.

Central Southeast Alaska: Marketing partnership among Wrangell, Petersburg and Coffman Cove developed. Logo, brand, brochure, and business plan were developed.

Central Southeast Alaska: Alaska Coastal Wildlife viewing guides for the Inside Passage communities are complete.

Copper Basin: A development of a regional marketing partnership and branding effort is underway.

Bethel/YK Delta: Development of tour itinerary including village experiences is in development. We conducted an intensive series of workshops called "Build Your Own Business" that included - writing a business plan, starting a B&B, Alaska Host, Bird and Naturalist guiding. We conducted (with ADFG) a pioneering "birding assessmenttour" for state and nationally renowned birders.

Haines/Klukwan: Feasibility Study completed for tourism facility at Letnikof Cove. Commerce Mini-Grant received, to begin work on restoration of the historic cannery.

Barrow: Development of bed & breakfast businesses underway (workshop complete, working with Fairbanks Convention & Visitors Bureau on mentor program, working with Alaska Bed & Breakfast Association on additional training at annual meeting).

A1: Strategy - Implement Rural Visitor Industry Product Development Program.

Target #1: Provide technical assistance to 4-6 rural community clusters in round one of the Rural Visitor Industry Product Development Program..

Measure #1: Number of community clusters receiving technical assistance.

Number of Community Clusters Receiving Technical Assistance

Fiscal Year	YTD Total	Target
FY 2004	0	0
FY 2005	4	4
FY 2006	7	6

Analysis of results and challenges: Developing Alaska Rural Tourism (DART): Through a partnership among the Department of Commerce (OED), Economic Development Administration, OED provided assistance to four major community groups to develop marketing strategies, marketing partnerships, or package tourism products and attractions. In FY 2005, these included the following:

- (1) Central Southeast Alaska (Wrangell, Petersburg, Coffman Cove)
- (2) Yukon-Kuskokwim Delta Communities (Bethel, Goodnews Bay, Mekoryuk, Quinahagak, Toksook Bay)
- (3) Bering Strait Communities (Nome, Savoonga, Gambell, King Island, Diomedes, Solomon)
- (4) Copper Valley Communities (Mentasta, Chistochina, Gulkana, Gakona, Glennallen, Copper Center, Kenny Lake, Chitina, other.

In FY06, we added Bristol Bay, Haines/Kluckwan, and Kodiak Island. We also added Chevak, St. Marys, Emmonek, and Scammon Bay to the Yukon-Kuskokwim Delta Communities.

In 2007, we anticipate working closely with the communities along the Iditarod Trail to provide technical and marketing assistance. And, we will be working with the Southeast Alaska communities that are a part of the Southeast Alaska Trail System (www.seatrails.org) on a business and marketing plan.

A2: Strategy - Improve customer service skills and employability of Alaska's workforce.

Target #1: Increase number of students who complete AlaskaHost customer service training by 10% each year.

Measure #1: Number of students who complete AlaskaHost training each year.

AlaskaHost Students

Year	ANC/FBX/JNU	Others	YTD Total	Target
2003	182	111	293	0
2004	301	283	584	0
2005	316	204	520	580
2006	367	225	592	684

Analysis of results and challenges: The number of students who completed AlaskaHost training increased 9% from 520 in FY05 to 592 in FY06. While the number of rural students completing AlaskaHost training between FY04 and FY05 (28%) decreased, the number of students who completed AlaskaHost training in communities outside Anchorage, Juneau, and Fairbanks increased 9% from 204 in FY05 to 225 in FY06. OED staff dedicated time to updating AlaskaHost curriculum to make it more relevant to Alaska communities in FY06. The AlaskaHost core curriculum was shortened from an 8 hour class to a 4 hour class and 3 new training modules were developed. Additionally 60 AlaskaHost trainers from around the state were trained on the new curriculum.

The reason for the decline in rural trainings in FY04 and FY05 (283 vs. 204) was because we trained approx 100 people in Hoonah for the opening year of Icy Strait Point. We also trained a trainer who did not conduct trainings the following year as anticipated and who subsequently moved away.

A3: Strategy - Provide a visitor and welcome center on the Alaska Highway and enhance the economic benefits from visitors in Tok, through the Tok Alaska Public Lands Information Center (TAPLIC).

Target #1: Increase the number of highway travelers served at the Tok Alaska Public Lands Information Center.

Measure #1: Number of highway visitors served.

TAPLIC Visitors

Fiscal Year	YTD Total
FY 2003	13,662
FY 2004	13,522 -1.02%
FY 2005	13,207 -2.33%
FY 2006	7,364 -44.24%

TAPLIC: Tok Alaska Public Lands Information Center

The number of declining visitors to the center reflects the overall state of highway travel which has declined and then remained stagnant in recent years. High gas prices over the past two years are also expected to be having effect on highway visitors. To address these issues, the Governor's Office supported and the Legislature approved an appropriation of \$1.3 million in operating and capital grants for FY07 to conduct an independent marketing campaign. It is essential that as we invest in increased independent and highway travel to the state, we ensure high quality visitor services and restroom facilities. This means keeping the center operational 7 days a week, 12 hours a day during peak visitation periods (June, July, August).

The center is fully staffed (4 employees) from June 1 to August 15. Three employees are required to staff the center in May and September. One full time manager staffs the center between October and April. Without this level of staffing, OED would not be able to keep the visitor center open at current hours and our ability to serve visitors will be severely cut back.

Currently, communities and visitors bureaus on and off the road system all the way to Valdez depend on Tok staff to provide information to their visitors.

Analysis of results and challenges: The Tok APLIC is one of four center's that support the appropriate use and enjoyment of Alaska public lands and resources through "one-stop shopping" for public lands information, trip-planning assistance, and resource education. The APLIC's are a system of information and education centers that help provide visitors and residents with meaningful, safe, enjoyable experiences on public lands (and highways) and encourage them to sustain the natural and cultural resources of Alaska. These interactive and fully accessible facilities are nationally recognized for providing consistent, high quality services at all four statewide locations.

FY 07 to date (September 25, 2006):

- Visitor to the Tok Center - 6,175
- Alcan Border crossings into - Alaska 31,116 vehicles and 68,038 passengers
- Poker Creek Border crossings – 7,349 vehicles and 16,004 passengers
- AMHS Deposits - \$347,690

Highway travel to Alaska has been relatively constant since 2004 (137,000 arrivals).

A new Tok APLIC is under design and will be part of the Tetlin National Wildlife Refuge facility in Tok. The new facility is expected to help in the effort to increase economic impact of visitors while in Alaska as well as increase their appreciation and enjoyment of the state while they are here.

A4: Strategy - Conduct research at consistent intervals to determine economic impact of the visitor industry at state and regional levels.

Target #1: Increased economic contribution of all travel and tourism expenditures in Alaska.

Measure #1: Total economic contribution of travel and tourism to the state.

Economic Contribution of Travel and Tourism in Alaska (billions of dollars)

Year	YTD Total
2002	1.5
2006	2.0
	+33.33%

Analysis of results and challenges: Travel and tourism's economic contribution in Alaska reached \$1.5 billion in 2002. This amount (sales net related imports into the state) contributed 5.2% to Alaska Gross State Product (GSP) and includes direct and indirect effects of all travel and tourism expenditures, but not induced (multiplier effects).

Traditionally, the Department of Commerce is the primary provider of Alaska visitor statistics and economic impact studies for government and private sector use and planning. Every four years, the Department of Commerce conducts the Alaska Visitor Statistics Program (AVSP) to gather important information on Alaska visitor characteristics, expenditures and opinions. Following the initial survey, Commerce uses the data to measure the economic impact of these visitors to the state and regional economies. Currently, AVSP V is in the field and the Summer data will be finalized in March 2006. Previous economic impact studies were conducted with 1999 and 2002 data. The economic impact study should be updated in FY08 with 2006 data. Ideally, this study would be conducted at least every other year.

Target #2: Increased employment resulting from travel and tourism expenditures in Alaska.

Measure #2: Total employment resulting from travel and tourism expenditures in the state.

Travel and Tourism-Related Employment

Year	YTD Total
2002	37,650
2006	39,000
	+3.59%

Analysis of results and challenges: Travel and tourism's economic contribution to employment reached 39,000 full-time equivalent jobs. Those jobs provided Alaska workers with an estimated \$1.25 billion in income.

B: Result - Increase the value of the minerals industry in Alaska

Target #1: 10% annual increase in statewide mineral exploration spending.

Measure #1: Percentage increase in mineral exploration.

Percentage of Expenditures in mineral exploration Alaska

Year	In Millions	% Increase
2002	26.5	0
2003	27.6	4.15%
2004	70.8	156.52%
2005	103.9	46.75

Analysis of results and challenges: The increase in mineral exploration investment has far surpassed the target. The increase reflects the pro-development philosophy of the state, the recognition of the very high mineral potential of the state, and the increases in metal prices.

Significant challenges are presented to the state to overcome negative perceptions of the industry being created by anti-development groups. A statewide information and education program related to mineral development is being considered.

Target #2: 10% annual increase in statewide mineral development expenditures.

Measure #2: Percentage increase in minerals development expenditures.

Value of Development Expenditures in Alaska

Year	Millions \$\$	% Increase
2002	34.1	0
2003	39.2	14.96%
2004	209.1	433.42%
2005	347.9	66.4%

Analysis of results and challenges: Development investment increased 66.4% from 2004 and the average increase from 2002 has been 117.1%. This increase reflects construction efforts at Pogo, advanced stripping at Fort Knox, project construction at Kensington, equipment acquisition and feasibility studies and permitting at Rock Creek in Nome, and investment in a number of rock, sand, gravel and placer projects.

Development dollars will be spent to develop those projects that have been approved for commissioning by company boards. Development expenditures are expected to decrease in the near term (2006 - 2007) due to completion of the Pogo project, Kensington, Rock Creek, Ft. Knox and Nixon Fork will continue, but are not expected to be at the same level as in 2005. Increases in the longer term are expected due to commissioning of Chuitna Coal, Donlin Creek, Pebble Copper beginning in about 2008.

Target #3: 10% annual increase in statewide mineral production value.

Measure #3: Percentage increase in minerals production value.

Value of Minerals Production in Alaska

Year	In Billions	% Increase
2002	1.013	0
2003	1.0007	-.92%
2004	1.3387	33.87%
2005	1.4016	4.70%

Analysis of results and challenges: Mineral production values increased 4.7% between 2004 and 2005. The average increase between 2002 and 2005 has been 11.4%. Although metal prices increased significantly over 2004, production volumes were down as a result of the downward momentum experienced as a result of the metal price declines that bottomed in 2001 - 2002 timeframe, and to the significant operating cost increases in the industry since that date. Production values are expected to increase in 2006 due to continued price increases and to commissioning of the Pogo mine. Thereafter, Kensington, Rock Creek/Big Hurrah, Nixon Fork, Chuitna Coal, Donlin Creek, etc. will be commissioned and will influence production values significantly.

Target #4: 10% annual increase in total value of the Alaska minerals industry.

Measure #4: Percentage increase in total annual statewide minerals value.

Total Value of Alaska Minerals Industry

Year	Billions \$\$	% Increase
2002	1.0734	0
2003	1.0674	-.24%
2004	1.62	51.40%
2005	1.8534	38.4%

The data for 2006 will be available in June 2007.

Analysis of results and challenges: The improvement in value between 2004 and 2005 was \$514.7 million, 38.4% over the 2004 value. The average increase in value between 2002 and 2005 has been 20%. The forecast for the overall value of the industry is very positive and expected to increase steadily for the foreseeable future.

Challenges are presented to the state in overcoming high profile negative public sentiment, shortages of skilled personnel, lack of infrastructure, and high and increasing power and fuel costs.

B1: Strategy - Be a strong advocate for mineral resource development.

Target #1: Maintain and improve trade show participation. Improve information products for the public.

Measure #1: Number of trade show participated in FY2005 was maintained at 6.

Number of Trade Show Participation

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total	Target
FY 2003	NA	NA	NA	NA	3	0
FY 2004	NA	NA	NA	NA	3	0
FY 2005	0	3	2	1	6	0
FY 2006	0	2	2	1	6	0
FY 2007	0	0	0	0	0	7

Analysis of results and challenges: In FY05, the DCCED minerals specialist represented the state at 6 trade shows (Roundup 2005, Prospectors and Developers Association of Canada, Alaska Miners Association Convention - Spring Conference, Elko Mine Expo, Alaska Miners Association Fall Convention, NWMA Convention in Spokane). In FY06 the trade specialist participated in the same number of conventions.

Presentations and short courses were provided to a number of groups - Chamber Transportation Committee (Fairbanks), Elko Mine Expo, AMA meetings, RMS COE short course, Soldotna Chamber of Commerce, Small Business and Faith-Based Business Development Convention, others.

Target #2: Improve the image of the minerals industry within the public sector in Alaska.

Measure #2: Provide informational presentations to organized groups and informational services in the major population centers of the state.

Informational Presentations to Organized Grups

Year	YTD Total
2005	10
2006	12
	+20.00%

Analysis of results and challenges: The reaction of the public for mineral development process was in favour to the State economic development. Informational presentations and services were provided in Southwest Alaska, Dillingham, Nome, Kotzebue, Wrangell, Fairbanks, Anchorage, Juneau and Iliamna

Target #3: Establish a Grant program to foster mineral development in the state

Measure #3: Establish a \$500,000 program to provide an advertising and educational program for the public in Alaska.

Analysis of results and challenges: This a new measure and will start measuring in 2008

C: Result - Redevelop a statewide forest products industry.

Target #1: Increase forest products industry employment in the Southeast region by 10%.

Measure #1: 10% employment increase

Southeast Economic Region Employment

Year	Logging	Wood Product	YTD Total
2001	500	300	800
2002	350	150	500
	-30.00%	-50.00%	-37.50%
2003	400	150	550
	+14.29%	0%	+10.00%

The data for 2006 will be available in 2007

Analysis of results and challenges: The timber industry provided the economic foundation for many of Southeast Alaska communities. Year-round, well-paying jobs helped increase the standard of living and developed an infrastructure that made growth possible in other industries like tourism and seafood. The current state of decline in the industry affects transportation costs and other public services that were initiated in part to serve a growing timber industry. The production of timber industry in Southeast Alaska may start their production in 2007

Nonetheless, the Southeast region experienced some increase in timber-related employment between 2002 and 2003 (most recent data from the Alaska Department of Labor).

C1: Strategy - Provide technical assistance and advocacy services through Commerce.

Target #1: Fill forester position(s) in the Department of Commerce.

Measure #1: Number of forest product positions in the Department of Commerce.

Forest Products Development Specialists

Fiscal Year	Positions	YTD Total
FY 2001	0	0
FY 2002	0	0
FY 2003	0	0
FY 2004	0	0
FY 2005	0	0
FY 2006	1	1

Analysis of results and challenges: The Department of Commerce has not had a forest products development specialist for well over five years. A major change for the Department this year was the hiring of a senior level forest products development specialist position in July 2005.

D: Result - Through the Fisheries Revitalization Strategy, increase the economic return to the Alaska salmon industry.

Target #1: By 2006, increase the ex-vessel value of the salmon industry by 10% over the 2003 prices.

Measure #1: Measure in ex-vessel value on a price/pound basis.

Price to Harvesters for Alaska Salmon from 2003 to 2005

Species	2003	2004	2005	% Change 03 to 04	% Change 04 to 05	% Change 03 to 05
Chinook	\$1.37	\$1.93	\$2.27	41%	18%	66%
Sockeye	\$0.80	\$0.80	\$0.73	0%	-22%	-22%
Coho	\$0.49	\$0.70	\$0.76	43%	9%	55%
Pink	\$0.00	\$0.10	\$0.12	25%	20%	50%
Chum	\$0.17	\$0.21	\$0.27	24%	29%	59%
Total	\$ 0.25	\$ 0.34	\$ 0.35	34%	3%	38%

Analysis of results and challenges: The ex-vessel value, or average price paid to fishermen, for Alaska salmon increased since 2003. In 2003, the price per pound for all salmon combined was \$0.25/lb. That increased to \$0.34/lb in 2004 for a percentage increase of 34%. As of the date of this entry (Sept. 2006) final 2005 numbers have not been posted. However, projections list the 2005 price per pound at \$0.35/lb, an 38% increase over 2003 prices.

Chinook and coho prices are enjoying significant gains. Sockeye, the greatest dollar earner among the Alaska salmon at about 60% of its total value, is slowly breaking out of its low price point from 2002, even while supply increases. Chum salmon is enjoying greater price increases in 2005. Pink salmon, a species that makes up between 10 - 20% of the total value of salmon, is beginning to increase in value to the fishermen.

Relying on the total average price per pound misses a number of key social and economic areas. The total harvest volume and its relationship to demand tend to be major drivers in the price per pound calculation. Also undescribed is the species by species and region by region change in value. These nuances are critical to Alaska residents depending on their situation. For more detailed information, please contact Glenn Haight, Fisheries Development Specialist at 907-465-5464 or glenn_haight@commerce.state.ak.us.

Target #2: By 2006, increase the wholesale value of the salmon industry by 10% over the 2003 prices.

Measure #2: Measure in wholesale value on a price/pound basis.

Wholesale price for Alaska Salmon from 2003 to 2005

	2003	2004	2005	% Change 03 to 04	% Change 04 to 05	% Change 03 to 05
Chinook	\$ 2.20	\$ 3.52	\$ 3.80	60%	8%	73%
Chum	\$ 0.91	\$ 1.01	\$ 1.10	11%	9%	20%
Coho	\$ 1.54	\$ 2.01	\$ 2.11	31%	5%	37%
Pink	\$ 0.89	\$ 0.88	\$ 0.95	-2%	8%	6%
Sockeye	\$ 2.05	\$ 2.03	\$ 2.26	-1%	12%	10%
Total	\$ 1.29	\$ 1.43	\$ 1.53	11%	7%	18%

Analysis of results and challenges: Wholesale values, the value obtained by the first company that buys the salmon from the fishermen, increased 11% from 2003 to 2004 and 7% from 2004 to 2005. From 2003 to 2005, the price increased 18%. Aside from increases in prices paid in the market for products, price gains can come from changes in the product mix at the producer level. For instance, if more fillets are produced than head and gut from one year to the next, the price per pound will increase. This may not translate into true increases in value because in order to make fillets you remove weight that would otherwise be sold in a less processed form.

Data indicates that the value of various product forms at the wholesale level differs by species. For instance, the most valuable form to sell a Chinook or coho is whole, with its head on and viscera removed. Fillets are the most valuable product form for sockeye and chum. Can products remain the most valuable use for pink salmon.

Chinook and coho, the two high value troll caught species, witnessed strong gains in the wholesale market. This may be due to increased production of whole and fillet products within these species. Market demand appeared strong for both species.

Chum salmon values increased as more production was shifted to fillets, whole and head and gut, away from can.

Pink salmon values rose considerably in 2005 as marketing efforts have helped decrease an overage in can salmon inventory and market new pink salmon products. While changing the product form is critical, much of the investment in new production equipment is occurring in China and Thailand.

Sockeye values were also strongly up in 2005. Producers are beginning to make more fillets and moving these products to a growing US domestic market. Traditional shipments of product to Japan are declining which is an important market diversification effort supported by the Revitalization Strategy.

D1: Strategy - The Office will develop a grant program that increases product diversification.

Target #1: By 2006, the fisheries equipment grant program will support an overall industry trend towards increased fillet production in Alaska to increase total fillet production by 10% by weight.

Measure #1: Percentage increases in Alaska salmon fillet production by value and volume.

Processing Values for Alaska Salmon from 2003 to 2004 by Product Form						
Product form	Total Volume			Total Value		
	2003	2004	% change	2003	2004	% change
Canned	193,262,188	192,813,814	0%	\$ 227,970,115	\$ 248,823,763	9%
Fillets	13,498,511	19,303,810	43%	\$ 26,590,193	\$ 47,539,469	79%
Head & Gut	201,874,729	244,025,605	21%	\$ 205,586,061	\$ 306,141,547	49%
Minced/Other	1,493,756	1,671,187	12%	\$ 756,104	\$ 1,116,442	48%
Roe	25,742,399	21,223,647	-18%	\$ 110,938,813	\$ 97,617,165	-12%
Whole	15,278,582	28,658,356	88%	\$ 11,240,578	\$ 24,014,369	114%
Total	451,150,166	507,696,019	13%	\$ 583,081,864	\$ 725,252,755	24%

Product form	\$/lb			% change in \$/lb
	2003	2004		
Canned	\$ 1.18	\$ 1.29		9%
Fillets	\$ 1.97	\$ 2.46		25%
Head & Gut	\$ 1.02	\$ 1.25		23%
Minced/Other	\$ 0.51	\$ 0.67		32%
Roe	\$ 4.31	\$ 4.60		7%
Whole	\$ 0.74	\$ 0.84		14%
Total	\$ 1.29	\$ 1.43		11%

Reading from top left to right and then down, the three charts indicate total volume in pounds, total dollars and price per pound, respectively. Alaska salmon fillet production increased 43% at the wholesale level from 2003 to 2004. With an increase in the price per pound of 25%, this meant a total increase in the value of fillets of 79%. While this was impressive, other product forms witnessed similar significant increases in value - indicating a strong demand in the market for wild Alaska salmon.

Analysis of results and challenges: 2004 fillet production numbers mark a significant increase in Alaska salmon fillet production. Fillet production increased steadily the past few years, but garnered only about 2% of all production. That increased to 4% for 2004. While this remains a small amount of the overall production, this relatively big increase in this product form indicates Alaska salmon producers are making investments in an effort to meet changing consumer demands.

D2: Strategy - The Office will develop a grant program that increases product diversification among its grantees.

Target #1: By 2006, grantees that received fillet processing equipment will increase fillet production by 50% from 2003 levels.

Measure #1: Percentage increase in fillet production for grantees receiving funds for fillet equipment.

Fillet Production for Fisheries Economic Development Grant Recipients



2004 fillet production for the Fisheries Economic Development Grant Program grantees who received fillet equipment for the 2004 season increased 142% over 2003. H&G - Headed and gutted.

Analysis of results and challenges: The increase in statewide salmon fillet production in 2004 was 43%. The increase in fillet production among the Fisheries Economic Development Program grantees with fillet awards was 142%. When you remove the volume of production from the grant recipients from the statewide total, the increase in fillet production falls to 30%. Fillet equipment grants to Alaska producers influenced an increase in the annual fillet production by 12%.

The 2006 data will be available in June 2007.

E: Result - Increased economic benefits from sale of Alaskan manufactured and/or made products.

Target #1: Increased number of jobs resulting from sale of Alaskan manufactured and/or made products.

Measure #1: The number of manufacturing jobs created in Alaska.

Analysis of results and challenges: Data will be collected and reported in FY2007

E1: Strategy - Increased numbers of certified "Made in Alaska" products that are manufactured and/or made in Alaska.

Target #1: Numbers of certified products per year that are manufactured and/or made in Alaska increase by 3%.

Measure #1: Numbers of certified products.

Analysis of results and challenges: Data will be collected and reported in FY2007.

F: Result - Alaska Regional Development Organizations (ARDOR) programs create new jobs or save jobs in Alaska.

Target #1: Increase number of jobs created or saved through ARDOR programs.

Measure #1: Number of jobs created or saved through ARDOR programs.

Analysis of results and challenges: Data will be collected and reported in FY2007

F1: Strategy - Implement performance based criteria to distribute state funding among ARDORS.

Target #1: Increase number of ARDORS that meet criteria to receive I funding from 2006 to 2008.

Measure #1: Number of ARDORS that receive funding.

Number of ARDORS receive funding

Year	YTD Total	Target
2006	11	0
2007	0 -100.00%	13 0%
2008	0 0%	15 +15.38%

Analysis of results and challenges: The legislature established the ARDOR program in support of the widely held belief that a locally driven initiative in partnership with the State and other entities, can most effectively stimulate economic development and produce healthy, sustainable local economies.

G: Result - Film production spending creates economic benefit for Alaska communities.

Target #1: Increase annual production spending by inbound productions by 50% by FY'08.

Measure #1: Inbound production dollars spent in Alaska.

Inbound Production Dollars Spent in Alaska (in millions)

Fiscal Year	YTD Total	Annual Increase Target
FY 2002	5	0
FY 2005	2.1 -58.00%	
FY 2006	2.5 +19.05%	
FY 2007		4.7
FY 2008	0	7.1 +51.06%
FY 2009	0 0%	10.6 +49.30%
FY 2010	0 0%	16 +50.94%
FY 2010	0 0%	24 +50.00%

Data based on exit surveys and estimates from the Alaska Film Group and spending formulas developed by the Association of Film

Commissioners International.

Analysis of results and challenges: In FY02 film projects injected roughly \$5 million in to the Alaska economy and generated over 100 hours of national and international media exposure. However, since FY03, the Alaska Film Program has not had full time staff. Loss of knowledgeable staff and limited responses to inquiries led to considerable loss of business. The division anticipates more state funding and assistance from film production groups to create more jobs within the state which will work to increase inbound production dollars.

Key Component Challenges

Mining

Efforts to attract investments in mineral projects is a key challenge. Infrastructure for mineral projects is necessary to stimulate mining investment in the State. Lack of access, power and qualified labor presents a very expensive project scenario for mineral company management; this becomes an issue in deciding venues for project investment. Only very significant projects such as Pebble Copper, Donlin Creek, Greens Creek, and Red Dog are able to handle the formidable expenses associated with the construction of supporting infrastructure. Lesser, but significant projects are shelved until appropriate infrastructure is available.

Stable and reasonable taxation is critical to attracting mining companies to the State. The uncertainty of state and municipal taxes vexes mining executives when considering mineral project investment venues that have similar geologic settings. The tax burden imposed on a mining company can significantly alter the economics of projects; this variable provides an uncertain investment environment to the project managers. In this regard, presenting a stable and reasonable tax environment to the mining industry is important to create an environment favorable to project investment.

Land status designations must be maintained in accordance with original designations giving consideration for reasonable set-asides driven by needs. Set-asides driven by special agendas giving preference to one industry at the expense of another, but failing to consider the permitting process, are divisive and unnecessary and must be avoided in order to maintain the health of the mining industry in the state.

Permitting efficiency and consistency is important in maintaining a stable investment environment.

Fisheries

The Alaska fisheries industry is facing substantial global challenges. Increased competition from farmed salmon and other aquaculture products is increasing competition for Alaska seafood and shifting production capacity out of Alaska's coastal communities. Meanwhile, management of federal fisheries continues to push for privatization in a manner that is reducing coastal Alaska's access to resources

Forest Products

Japan has historically purchased nearly 80% of Alaska's total wood product exports and remains an important factor in Alaska timber exports. Since the 1990s, important markets have been developing in China, Taiwan, Korea and India. While still receiving only a small portion of Alaska's exports, these emerging markets are expected to command an increasing percentage before the end of the decade.

Timber sales from the Tongass Forest remain curtailed due to continuing legal restraints upon the sale of much of its timber. In addition to creating legal uncertainty regarding many of its timber offerings, many U.S. Forest Service resources are still being devoted to amending the 1997 Forest Land Management Plan, as ordered by the 9th Circuit Court. The State of Alaska is a "cooperating agency" in this process.

A significant portion of the Department's efforts during CY 2006 has been directed toward developing the timber resources of the Interior and Southcentral regions of the state. Long neglected, these areas hold potential for job creation, especially to the extent the State can develop cooperating relationships with Native corporations with timber holdings. Hardwood lumber, engineered wood, biofuels and wood pellets are some of the possible manufacturing opportunities in the boreal portion of Alaska's forested land.

Tourism

(1) Visitors to Alaska continue to increase, but most visitor growth is due to the cruise sector. Stagnant or declining visitor growth rates for non-cruise visitors is cause for serious concern. Collectively, the cruise industry spends over \$70 million a year on marketing compared to the State's \$10 million program. OED manages the qualified trade association (QTA) contract for Alaska's broad-based tourism marketing campaign. The campaign's primary purpose is to create awareness of the state as a whole. There is need for additional marketing funding for the basic campaign to increase Alaska's ability to compete with messages produced by well-funded competitors such as Hawaii and international destinations. Additional funding is also necessary for an intensive independent marketing campaign to generate growth in independent travelers (highway, ferry, domestic air and international travelers), many of whom patronize Alaska's small and medium sized businesses. Furthermore, if the QTA budget is increased sufficiently, the marketing program could also be expanded to highlight and take better advantage of signature events to attract visitors such as the Iditarod Trail Sled Dog Race and the 50th Anniversary Statehood Celebration.

(2) Rural Alaska communities want to develop tourism to diversify their economies and provide new business opportunities, but they lack resources necessary to prepare for and attract tourism development. Rural Alaska remains highly undeveloped in tourism and transportation infrastructure, and communities lack established mechanisms for managing and promoting tourism. Additionally, individuals require assistance in identifying funding resources and seed money to help them get started.

Rural Alaska's ability to attract and retain visitors will require investment in attractions, businesses and services, infrastructure, and marketing. Communities and individuals continue to request information and technical and planning assistance from OED to help them make informed choices about tourism development and to develop business and marketing plans. OED staff work diligently to meet the needs of communities and individuals throughout the state, but travel and training funds to meet current demand for services is not sufficient.

(3) There is ongoing need for customer service training in rural areas. Even in places where tourism is well developed, the need is ongoing because of high workforce turnover. Furthermore, partners in the visitor industry have identified the need for an advanced customer service training curriculum to prepare employees for supervisory and management level positions.

(4) Though many of the independent travelers visiting Alaska enter via the Alaska and the Taylor Highways, many of them simply drive through the Alaska Highway on their way to Denali and other areas and do not consider the "Borderlands" region a tourist destination in itself. Providing visitors with information and services as they enter the state is key to generating economic activity along the entire highway system. The Tok Alaska Public Lands Information Center (TAPLIC) which is operated by OED staff plays an important role in greeting visitors and providing them with information that will improve their experience and benefit Alaska businesses.

The current TAPLIC facility has limited space to promote Made in Alaska items and the entrepreneurs that make them. It does not have room to highlight attractions such as the Iditarod Trail Sled Dog Race through displays and films. Key challenges for the TAPLIC include maintaining continued State support for building the larger, educational facility in partnership with Alaska DOT & PF and U.S. Fish & Wildlife Service. A more immediate challenge is the loss of funding for seasonal staff that previously was generated through commissions on Alaska Marine Highway ticket sales. In July 2006, AMHS discontinued an agreement with OED that would allow TAPLIC staff to provide this service. In order to maintain important visitor services at the border—7 days a week, 12 hours a day, and on holidays during the peak visitor season, OED requires additional funding to replace lost AMHS revenues.

(5) In order to measure the performance of the visitor industry, it is necessary to have consistent and reliable data. The Alaska Visitor Statistics Program (AVSP), currently under contract, provides important information to develop the state's tourism marketing program and help communities, regional marketing organizations and businesses develop business and marketing plans. An additional study is needed to identify the economic impacts of the spending data collected in AVSP.

(6) Alaska is one of the few states in the nation without a film commission or office, and lack of state involvement and investment in film development has contributed to a corresponding decline in production dollars being spent in Alaska. As the State of Alaska has decreased investment in the film industry, other locations have invested more as recognition of the economic value of film production to a host location increases. In FY'05, production spending from outside filmmakers in Alaska was just over \$2 million. In comparison, British Columbia's film industry generates over \$1 billion annually, and the State of Washington's film industry generates over \$300 million.

Small Business Development

Alaska Regional Development Organizations (ARDORs)

- Mission – To enable communities to pool their resources and work together on local economic development issues; establish partnerships with public, private and non-governmental organizations; offer to the region technical training and assistance on strategic planning; and increase local citizens' experience with federal and State programs that contribute to the economic health of the region.

The main challenge is to secure funding for the ARDORs that is commensurate to the ever-increasing high costs of program delivery in rural areas.

Small Business Regulations Program (SBRP)

- Mission – To increase:
 1. the level of awareness of regulatory issues that affect Alaska's small businesses through technical training and assistance to small business owners;
 2. small business participation in shaping and challenging regulations that impact small entities;
 3. the Office of Economic Development's training capacity in regulatory issues;
 4. reliable data on the costs of regulations to small businesses in Alaska.

The SBRP's primary challenge is to have its role, scope, and authority crystallized. The statutory language limits the Program to "collaborating" with the four incumbent departments (Commerce, Environmental Conservation, Health and Social Services, and Labor). The Program needs to shed this fence-sitter image and take on a healthy proactive as small business advocate in regulatory as well as other issues.

Small Business Assistance Center

- Mission – A web-based and in-person consulting service to encourage the start-up and development of small business concerns in Alaska, through referrals to relevant business-related resources.

The main challenge is to secure funding to establish a quality interactive website that addresses the needs of potential and existing entrepreneurs.

Significant Changes in Results to be Delivered in FY2008

Mining

Establishing a reasonable and stable tax environment can be accomplished, at least in part, by appropriate education of the public, and the State and municipal administrations relative to the economics of mining projects. Developing economic models of projects for public education is an important issue. Also, working through the Minerals Commission, the Legislature and supporting agencies to convey this message in appropriate context is important.

Developing long range plans for establishing appropriate infrastructure for mineral districts will convey a mining-friendly impression to the mining companies and encourage investment in the State. Working through the Minerals Commission, the Legislature, the Administration (DOT&PF, DNR – Land Planning and AIDEA) and the BLM to establish these plans will convey the appropriate impression and reality.

Permitting proficiency and consistency is important in supporting project development. The Administration has made significant advances in promoting permitting efficiency and promoting cooperation in permitting by establishing the Large Mine Permitting group within the Office of Project Management and Permitting of DNR. There is room for improvement in the process. General Permits for routine activities such as establishing camps and for performing other routine project support functions serve an important, but functional method of permitting. Working through the Minerals Commission relative to these and other related issues will provide meaningful permitting discussion and consideration.

Promoting, funding and developing a statewide public minerals promotion and education program will enhance the image of the industry and foster a better understanding of the permitting process and economic contribution of the industry to the state and the residents thereof. A program of this nature will also enhance the workforce availability and enrollment of students into the minerals industry education programs available in the state university system.

Fisheries

The Office's fisheries functions will shift from purely salmon to other species. The Office will become more engaged in the management arena and provide pro-Alaska "economic development" perspective in an arena where coastal Alaska is not well represented. The Office will also establish grant programs aimed at not only salmon, but other Alaska species threatened by increased competition in the world market. Using lessons learned and successful attributes from the Fisheries Revitalization Strategy, the Office will develop grant programs that will increase productivity and innovation among Alaska's seafood industry.

Forest Products

The Forest Products Development Specialist will work with the Governor's Office, Commerce Commissioner's Office, Department of Natural Resources, Alaska's Congressional Delegation and local governments to advocate the revitalization of Alaska's timber industry, particularly in the creation of community forestry development allotments in specified portions of the Tongass National Forest.

We anticipate continued progress on three longer term initiatives: (1) Create up to 200 new jobs in the Fairbanks area through enhanced manufacture of timber products. This effort is an ongoing marketing project. Legislative funding to develop accurate forest inventory data was secured in FY07; (2) Increase the timber industry in South Central Alaska, especially the wood chip manufacture and export business, through combined efforts of local, national and private organizations; (3) Complete the Court-ordered amendment of the 1997 Tongass Land Management Plan, as mandated by the 9th Circuit Court Ruling. This project on the State side includes coordinated involvement by OED, ADFG and DNR.

Tourism

(1) The qualified trade association's independent marketing campaign in FY'07 is expected to deliver increased independent traveler numbers in FY'08. However, the marketing campaign's real results may not appear until one or two years after the campaign. If investment in this targeted campaign is repeated annually and is substantial enough, OED would expect a rebound to a 2% annual increase in independent travelers.

(2) Implementation of the Developing Alaska Rural Tourism (DART) program will continue in FY'08, but at a reduced scale after funding from an Economic Development Administration grant ends in FY'0706. It is uncertain whether OED will be able to provide previous level of services to new community groups. Through FY'07, OED will have provided comprehensive technical assistance to six economically distressed community groups. With additional funding in FY'08, OED would be able to provide expanded services and training to these community groups, as well as provide new services to three additional communities groups. Visitor industry development in rural areas requires multiple years of training and investment to build local resources to the point where they can be successful. OED will also use additional funding to work with Iditarod Sled Dog Trail promoters and rural Alaska communities to use the event's brand recognition to increase visitors to the state, particularly to rural Alaska.

Through FY'08 (October 2006-April 2008), OED will use a USDA Rural Development grant to assist 10-15 individuals from rural Alaska in a pilot program called the Tourism Business Mentor Program. Participants interested will be matched up with a mentor who is experienced in the tourism industry. Mentors will conduct site visits, and the new business owners will have an opportunity to job shadow at their mentors' places of business. The mentor program will be an important follow-up activity for participants of the DART workshops

In the past, OED has requested funding for a small matching grant program for tourism development projects that would be particularly beneficial to DART and mentor program participants, individuals and communities. If funded in FY'08, this program would help them move their projects to the next step

(3) OED will train new teachers with the new AlaskaHost curriculum in FY'08. Between FY'05 and FY'06, the number of students trained in rural Alaska increased 9%. With existing resources, OED would expect to see a similar increase in FY'08. Additional resources would allow OED to expand training services with the goals of increasing capacity in

communities to provide their own training locally and increasing participation in rural Alaska by 20% annually. With additional resources, OED would also add an advanced component that would teach workers supervisory and management level customer service skills with the objective of helping them qualify for advanced level positions.

(4) OED will continue to participate in planning for the new TAPLIC facility in FY'08 and will encourage DOT & PF to prioritize funding for the project. Due to lost revenues from AMHS tickets sales at the TAPLIC, major changes in OED's ability to deliver visitor services will occur in FY'08. Without additional funding, the TAPLIC will close weekends, evenings, and holidays during the peak visitor season. Cutting back visitor services to the independent visitors in which we are making extra investment to attract would be poor planning. It would hardly encourage these visitors to return. Funding for seasonal staff would allow OED to provide Alaska visitors with the current quality level of customer service.

(5) OED will continue to implement the Alaska Visitor Statistics Program V in FY'08. The baseline data collection will have been completed in FY'07. The arrival data will be updated annually with actual visitor counts collected at entry points and we will apply resident/visitor and mode of travel ratios developed in the baseline year to the new numbers.

(6) At a zero level of investment, OED does not expect to see increases in film production spending for FY'08. Just one film can make a difference. In FY'06, a small independent film shot near Cantwell will nearly double FY'05's production spending to \$3 million to \$4 million. In 2005, the film, *Eight Below*, could have been filmed in an Alaska location, but Northern British Columbia received the estimated \$21.4 in local spending instead because it actively promotes itself as a film destination.

Alaska Regional Development Organizations (ARDORs)

Increase each ARDOR's fiduciary accountability and demonstrated outcomes through scheduled annual review of each ARDOR.

Increase the number of quarterly meetings and technical workshops offered by ARDORs to regional leaders, entrepreneurs, and stakeholders in each region.

Increase public and legislative awareness of the role of ARDORs in encouraging regional development in Alaska.

Small Business Regulations Program (SBRP)

Increase the Program's reputation, standing and authority as an advocate of small businesses.

Increase interaction between the Program and its stakeholders, government regulatory personnel, small business owners, legislators.

Increase the number of small businesses that participate in the regulatory process.

Expand the Office of Economic Development's training capacity in regulatory issues.

Produce reliable data on the costs of regulations to small businesses in Alaska.

Small Business Assistance Center

Transform the existing Office of Economic Development website a full-service, interactive, user-friendly site that allows users to perform most business planning, business plan writing online.

Increase the number of in-person consultations with entrepreneurs seeking to start or develop small businesses in state.

Strengthen all existing collaborative relationships with business-related providers that can further encourage small business development.

Major Component Accomplishments in 2006

Mining

Alaska Minerals Commission Report, 2006. The Minerals Commission produced the report for the Legislature and

Administration in early January 2006. The report identified a number of critical items that impact mineral resource development in one form or another. The Commission is now in the process of meeting to formulate its report for the 2007 Legislature and Administration. This report will identify issues of concern that need Legislative and Administrative action for resolution.

Mineral Industry Report (Special Report 60). Considerable effort was devoted to collecting, analyzing and reporting data relative to the status of the minerals industry in the State for 2005. This report is now being printed and will be available by the first of November. The value of mineral production for 2005 was \$1.40 billion and is expected to increase significantly in future years. The total value of the industry, including exploration, development and production, was \$1.85 billion in 2005, up considerably from \$1.62 billion in 2004.

Trade Show Participation. The Office of Economic Development has presented mining opportunities in the State by participation in a number of trade shows during 2006. The shows provided the opportunity to present the relative attractiveness of the State for mineral resource development. Items included presentation of existing projects and operations, geologic and geophysical information, data acquisition opportunities, tax regime, land status, and so forth. Mining Trade shows attended during the year include 1) Alaska Miners Association Fall Convention in Anchorage, 2) Northwest Mining Association meeting in Reno, NV, 3) Roundup in Vancouver, BC, and 4) Prospectors and Developers Association of Canada in Toronto.

Project Support. The Office participates in permitting support, project promotion activities, and otherwise supports the development of projects such as Pogo, Kensington, Donlin Creek, Pebble Copper, Rock Creek, MAN (platinum group metals), and others as opportunities are presented.

Fisheries

Fisheries Revitalization Strategy. In 2003, the Department took part in the Governor's \$50 million federally funded, Fisheries Revitalization Strategy in an effort to turnaround the declining Alaska salmon industry. As a \$500 million industry to fishermen in the early 1990's, the industry's fall to \$160 million in 2002 caused huge financial distress to Alaska's coastal communities. The cause of this decline was huge supplies of foreign produce farm salmon entering traditional and new markets around the globe.

Through carefully crafted equipment, infrastructure and marketing grants, the Department initiated almost \$30 million in industry and community grants. The founding program principles included strict adherence to a "cash match" requirement of Governor Murkowski and verification of project expenditures and completion. These important requirements increased success by infusing profit-based motivation and accountability into all projects.

By 2005, the value of salmon increased to \$330 million, a doubling of the value from three years prior. These matching grant programs were widely touted by the salmon industry as a key source of investment at a time when financing was difficult to obtain. This public commitment to the Alaska seafood industry was a powerful statement to the industry and financial institutions.

Administration Support. Staff continued to provide analytical support for the Administration in a number of areas, including fisheries-related legislation, changes in market trends including the potential impacts from other aquaculture species, and federal government efforts particularly with the US Department of Agriculture. Staff works in several arenas of government, providing economic information, working to improve the business environment, supporting small businesses and entrepreneurs, and spurring new product forms.

Forest Products

The Forest Products Development Specialist has focused on developing and furthering the above-mentioned initiatives. In addition, this position has been working to develop strategic alliances and cooperative relationships with various state, federal and private entities to encourage new investment in the Alaska forest products sector. OED has hosted or co-hosted several industrial tours in CY 2005 and 2006. These have resulted in ongoing talks between existing Alaska companies and potential partners in the Lower 48 and at least 2 foreign countries.

Tourism

Tourism Marketing Contract: OED managed the qualified trade association contract, acted as an advisor to the association's board of directors, approved the annual marketing plan, participated in the annual planning retreats for the marketing committee and the board of directors, attended board meetings in Juneau, Anchorage, Fairbanks and Homer.

Rural Tourism Product Development. Continued implementation of Developing Alaska Rural Tourism program , providing community groups including Central Southeast (Wrangell, Prince of Wales, Petersburg), Haines and Klukwan Village, Bering Straits Communities (Nome, Kotzebue, Gambell, Savoonga), Yukon Delta (Bethel, Mekoryuk, Quinhagak, Goodnews Bay), Bristol Bay, and Copper River Basin Communities with training and technical assistance. Staff worked with communities to establish leadership teams (YK Delta), develop regional marketing relationships (Alaska Rainforest Islands), and marketing strategies (Bristol Bay, Central Southeast, and Copper Valley). OED staff and partners delivered workshops on developing a bed and breakfast, creating a web site, tour guide training, developing business plans, marketing to international visitors, and identifying a regional brand. OED helped Central Southeast communities create a logo and marketing brochure and assisted Copper Valley Communities develop a new web site and identify a regional brand. OED staff traveled to Gambell and Savoonga to meet with community leaders and discuss tourism opportunities.

AlaskaHost Program. OED and partners (Alaska Travel Industry Association, Alaska Association of Convention & Visitors Bureaus, Alaska Regional Development Organizations and the Cook Inlet Tribal Council) promoted and delivered the State's expanded AlaskaHost customer service training program. In FY'06, OED added new program components to the basic skills curriculum (telephone skills and working with international visitors and visitors with disabilities). A new CultureHost component was added that helps visitor industry employees learn about Alaska Native cultures in order to share information with visitors and encourage understanding and respect. OED conducted a survey of tourism businesses to identify their priorities for an advanced customer service curriculum.

Tok Alaska Public Lands Information Center. OED served nearly 10,000 visitors and sold over \$500,000 in Alaska Marine Highway tickets.

Alaska Film Program. OED participated in Locations Expo trade show in Santa Monica, California and issued small contract to Alaska Film Group to respond to telephone and email inquiries. OED developed a draft business plan.

Alaska Regional Development Organizations (ARDORs)

The State provides \$620,000 in grant funds that are divided amongst 11 ARDORs. The ARDORs used these funds to leverage over \$4,481,153 from other sources. Local community and ARDOR Board members showed strong commitment to the Program through active participation in the regional entities' strategic planning and technical assistance to local entrepreneurs. This participation has managed to improve the local economy and diminish the regions' inadequate transportation at the same time it has increased coordinated marketing efforts. The ARDOR Program is meeting the legislative intent of encouraging rural economic development relevant to each region served by an ARDOR.

Statutory and Regulatory Authority

AS 44.33.020	Department of Commerce, Community and Economic	
Development		
AS 44.33.020 & AS 44.33.740	Rural Development	
AS 44.33.431	Alaska Minerals Commission	
AS 44.33.020(36)	Tourism Development	
AS 44.33.895	Alaska Regional Development Organizations Program	AS 36.30.332-
338	Alaska Product Preference	
AS 45.65.010-070	Made in Alaska Program	

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Office of Economic Development Component Financial Summary

All dollars shown in thousands

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,377.2	1,732.2	1,899.8
72000 Travel	140.8	69.5	69.5
73000 Services	245.6	230.8	309.1
74000 Commodities	26.0	19.6	19.6
75000 Capital Outlay	0.7	2.9	2.9
77000 Grants, Benefits	89.2	680.0	680.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,879.5	2,735.0	2,980.9
Funding Sources:			
1002 Federal Receipts	197.1	309.1	309.1
1004 General Fund Receipts	239.7	9.1	163.4
1007 Inter-Agency Receipts	71.6	815.9	756.2
1061 Capital Improvement Project Receipts	154.5	102.6	107.8
1108 Statutory Designated Program Receipts	75.6	126.0	126.1
1175 Business License and Corporation Filing Fees and Taxes	1,141.0	1,051.5	1,173.8
1200 Vehicle Rental Tax Receipts	0.0	320.8	344.5
Funding Totals	1,879.5	2,735.0	2,980.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	197.1	309.1	309.1
Interagency Receipts	51015	71.6	815.9	756.2
Statutory Designated Program Receipts	51063	75.6	126.0	126.1
Business License Receipts	51173	1,141.0	1,051.5	1,173.8
Capital Improvement Project Receipts	51200	154.5	102.6	107.8
Restricted Total		1,639.8	2,405.1	2,473.0
Total Estimated Revenues		1,639.8	2,405.1	2,473.0

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	329.9	309.1	2,096.0	2,735.0
Adjustments which will continue current level of service:				
-Alaska Marine Highway Tok Office Staff	60.0	0.0	-60.0	0.0
-FY 08 Health Insurance Increases for Exempt Employees	0.1	0.0	1.1	1.2
-Fund Source Adjustment for Retirement Systems Increases	86.0	-21.4	-64.6	0.0
Proposed budget increases:				
-FY 08 Internal Dept Cost Increase due to Retirement Systems Rate Increases	8.3	0.0	0.0	8.3
-FY 08 Retirement Systems Rate Increases	23.6	21.4	191.4	236.4
FY2008 Governor	507.9	309.1	2,163.9	2,980.9

**Office of Economic Development
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	17	17	Annual Salaries	1,184,884
Part-time	3	3	Premium Pay	0
Nonpermanent	1	1	Annual Benefits	824,614
			<i>Less 3.78% Vacancy Factor</i>	(75,860)
			Lump Sum Premium Pay	0
Totals	21	21	Total Personal Services	1,933,638

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	0	0	0	3	3
Administrative Supervisor	0	0	0	1	1
Alaska Rural Energy Advisor	1	0	0	0	1
Dev Spec I, Option A	2	0	1	0	3
Dev Spec II, Option A	0	0	1	0	1
Dev Spec II, Option B	1	1	2	1	5
Development Manager	1	0	0	0	1
Fisheries Development Spec	0	0	0	1	1
Forestry Specialist	1	0	0	0	1
Grants Administrator II	0	0	1	0	1
Outreach Administrator	1	0	0	0	1
Planner III	0	0	1	0	1
Special Projects Coordinator	1	0	0	0	1
Totals	8	1	6	6	21